

Indiana

Department of Local Government Finance



Committed to a fair and equitable property tax system for Hoosier taxpayers.

Public Hearing on Reassessment of Real Property in Gibson County

**Department of Local Government Finance
Resolution #2007-03**

Commissioners Room, Gibson County Courthouse
Princeton, Indiana
August 13, 2007



Agenda

- o **Public hearing will run from 9:30 – 12:00 p.m.**
- o **The Need For Reassessment Of Real Property**
 - o Accuracy and Equity
 - o Lack of Adjustments to Commercial and Industrial Properties
- o **How The Reassessment Will Be Handled**
 - o Securing a Vendor
 - o Commercial and Industrial Properties
 - o Residential Properties
- o **Opportunity For Public Comments**
 - o Elected/Appointed Gibson County Officials
 - o Floor will be open for public comment
 - o **Please note that each speaker is limited to 3 minutes for comments**



The Need For Reassessment Of Real Property

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



The Need for Reassessment of Real Property

o Accuracy of Assessments

Accuracy refers to how close the assessments determined by local assessing officials are to market value-in-use

o Equity of Assessments

Equity refers to how uniform assessments are within a class of property or geographic area



The Need for Reassessment of Real Property

- o Accuracy and equity are measured by conducting a statistical analysis known as an assessment-to-sales ratio study
- o The basic statistic in an assessment-to-sales ratio study is an assessment ratio

$$\text{Assessed Value} \div \text{Sale Price} = \text{Ratio}$$



The Need for Reassessment of Real Property

- o In Indiana, the assessment ratio for all properties is to be 100%

Assessed Value ÷ Sale Price = Ratio

Example 1: \$60,000 ÷ \$60,000 = 100%

Example 2: \$54,000 ÷ \$60,000 = 90%

Example 3: \$66,000 ÷ \$60,000 = 110%



The Need for Reassessment of Real Property

- o Using these ratios from sold properties and grouping them by township and class, an assessment-to-sales ratio study determines if assessments are accurate and equitable



The Need for Reassessment of Real Property

Statistical Measures

- o **Accuracy** is measured by the median ratio
 - o The median ratio is the “average” level of assessment for a class of property

- o **Equity** is measured by the coefficient of dispersion (COD)
 - o The coefficient of dispersion (COD) gives the relative dispersion, or variability of assessments from the median



The Need for Reassessment of Real Property

Standards

- o 50 IAC 21, the administrative rule governing annual adjustments sets the following standards for assessments:
 - o **Accuracy** – The median ratio for any class of property in a township should fall between 90% and 110%
 - o **Equity** - the coefficient of dispersion (COD) should be:
 - o $\leq 15\%$ on improved residential property; and
 - o $\leq 20\%$ on all other classes



The Need for Reassessment of Real Property

Standards

- o **Regressivity/Progressivity** – The Price Related Differential (PRD), which measures uniformity, for any class of property in a township should be between .98 and 1.03.



Results of Gibson County Ratio Study

Accuracy

- o All classes of property in all townships met the standard of assessment accuracy. However, Improved Residential property had median ratios that were at or near the low-end of the acceptable range (90% to 94%).



Results of Gibson County Ratio Study

Equity

- o All classes of property in all townships met the standard for assessment equity. However, in the Vacant Residential land class there were discrepancies between numbers reported for each township.



Results of Gibson County Ratio Study

Uniformity

- o The Price Related Differential was not calculated in the initial ratio study submittal.
- o The PRD for Improved Residential property in Barton Township was above the standard for assessment uniformity.
- o The PRD for Improved Commercial property in Columbia Township was above the standard for assessment uniformity.



Lack of Adjustments to Commercial and Industrial Properties

- o Analysis of Assessment Changes from 2005 to the 2006 assessment year revealed the following:
 - 1) A county-wide analysis of gross assessed values of commercial parcels revealed that seventy-nine percent (79%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year.



Lack of Adjustments to Commercial and Industrial Properties

- 2) A county-wide analysis of gross assessed values of industrial parcels revealed that eighty-three percent (83%) of these parcels had no change in assessed values from the 2005 assessment year to the 2006 assessment year.



How the Reassessment Will be Handled

“Committed to a fair and equitable property tax system for Hoosier taxpayers.”



Securing a Vendor

- o Through the Special Procurement process, Gibson County officials will select the vendor to conduct the reassessment
- o The Indiana Department of Administration must first approve the Special Procurement process
- o The Department of Local Government Finance will have oversight of the vendor in that the vendor must be certified under 50 IAC 15-4-1 and must include in its contract the provisions required by IC 6-1.1-4-18.5 and IC 6-1.1-4-19.5
- o A checklist for these required contract provisions can be found at <http://www.in.gov/dlgf/local/assessor.html>
- o The Special Procurement process is expected to be expedient (2 to 3 weeks)



Commercial and Industrial Properties

o Assumptions:

- o The underlying property data is correct
- o The Vendor will not be required to perform the work within the Gibson County computer system
- o The Vendor will pull the values into their own system
- o The Vendor will be using 2005 pay 2006 Gibson County Assessor Data



Commercial and Industrial Properties

- o The initial process is expected to use an updated cost approach in addition to updating land values:

$$\begin{aligned} &1999 \text{ RCN} \times \text{Cost Factor} = 2005 \text{ RCN} \\ &\quad - \text{Depreciation (6 years)} \\ &= \text{Improvement Market Value} \\ &\quad \times \text{2005 Neighborhood Factor} \\ &= 2005 \text{ Improvement Market Value} \\ &\quad + \text{2005 Land Market Value} \\ &= 2005 \text{ Total Market Value} \end{aligned}$$



Commercial and Industrial Properties

- o The Neighborhood Factor (or Annual Adjustment Factor) will be based on Sales Disclosures from 2004 and 2005, with a January 1, 2005 valuation date
- o The Department will review and approve the reassessment work throughout the process
- o The reassessment of real property is expected to be completed by December 31, 2007, and assessed values shall be rolled to the County Auditor by February 15, 2008

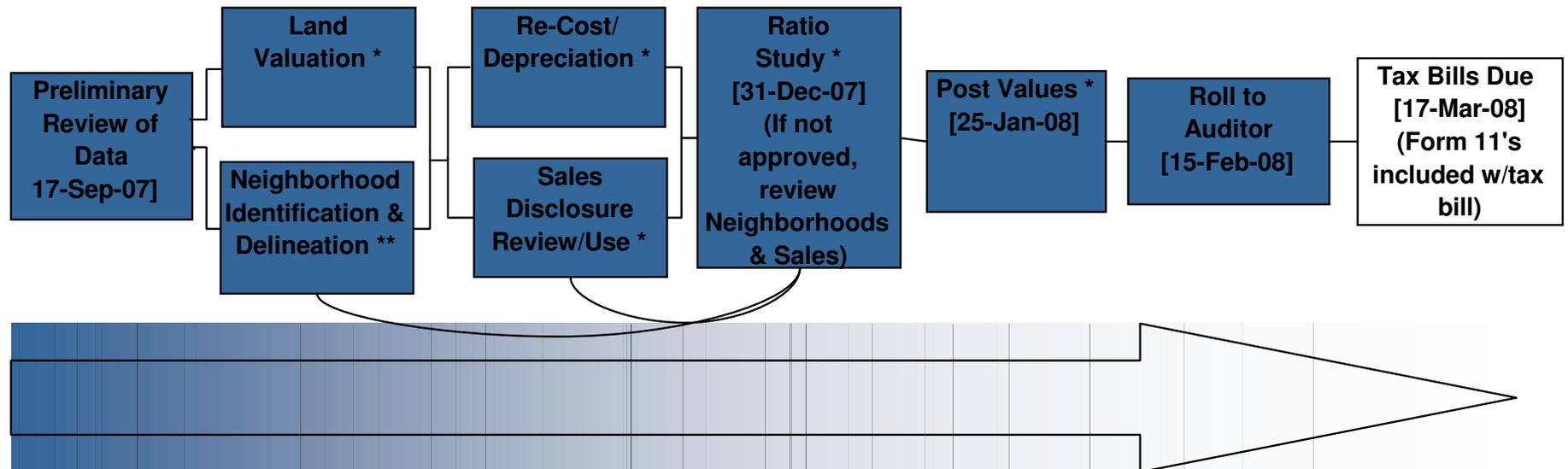


Residential Properties

- o The County Assessor, working with the Township Assessors, will be responsible for the reassessment of residential properties
- o The County Assessor may retain a vendor to assist with the reassessment of residential properties
- o The Department will review and approve the residential reassessment work throughout the process



Timeline for Gibson County Commercial and Industrial Reassessments



* DLGF Review and Approval Process

** Report on how Neighborhoods are defined

"Committed to a fair and equitable property tax system for Hoosier taxpayers."



Comments & Questions

Please email written comments and questions regarding the reassessment to:

gibsonreassessment@dlgf.in.gov

(No phone comments will be accepted)